

Rural Utilities Service, USDA

§ 1788.25

independent consultant for their recommendations.

Subpart B—Specific RUS Minimum Requirements

§ 1788.19 General.

This subpart sets forth specific RUS minimum requirements for insurance and fidelity coverages for electric and telephone borrowers.

§ 1788.20 Officers and employees.

Borrowers shall provide fidelity coverage for each officer and employee based on the estimated annual gross revenue of the borrower.

§ 1788.21 Types of coverage.

A new Commercial Crime Policy came into use January 1, 1986. This new policy form should be used in lieu of the Blanket Position Bond or Comprehensive 3D policies.

Under this Commercial Crime Policy the amounts of coverage required are as follows:

Annual gross revenue	Amounts of coverage
Less than \$200,000	\$50,000
\$200,001 to 400,000	100,000
400,001 to 600,000	250,000
600,001 to 800,000	300,000
800,001 to 1,000,000	400,000
1,000,001 and over	500,000

The Rural Utilities Service Endorsement, Exhibit A, is necessary on all separate policies or where the fidelity coverage is added to a package policy. For a municipal borrower, a public employees' blanket bond covering employees and officers responsible for activities of the RUS-financed facilities is acceptable.

§ 1788.22 Collection agents.

Each collection agent of the borrower shall be included in the bond for not less than \$2,500, or 10 percent of the highest amount collected annually by any one collection agent, whichever is greater. When banks are designated as collection agents, borrowers shall advise RUS regarding any special arrangements for fidelity coverage.

When annual gross revenues for a previous twelve-month period exceed the limit for the amount of fidelity

coverage maintained, the borrower shall increase the coverage to the required amount.

§ 1788.23 When revenues exceed \$1 million.

When annual gross revenues exceed \$1 million, RUS recommends that borrowers obtain additional excess fidelity insurance.

§ 1788.24 Single bond provisions.

When the borrower is one of several affiliated companies and this coverage is provided by naming the borrower as one of several insureds under a single policy, the joint insured paragraph under general or insuring agreements shall be amended to include the provisions of the fidelity rider in exhibit B.

§ 1788.25 Responsibilities of borrowers.

(a) *Termination of fidelity coverage.* The new Comprehensive Crime Policy provides for fidelity coverage on a term basis. Borrowers should renew on a timely basis.

(b) *Effect of fraudulent or dishonest acts.* Upon discovery by the borrower or RUS of an fraudulent or dishonest act of any officer or employee, fidelity coverage for this person is automatically cancelled, but remains in effect for all other officers and employees not in collusion with this person. Therefore, borrowers must notify their fidelity insurer of the discovery.

(c) *Effect of borrower's inaction.* Upon discovery of a dishonest act, the borrower's inaction, by its failure to report such acts, whether motivated by restitution or the apparent insignificance of the amount involved, or for any other reason, can affect more than merely the validity of the present claim; it may bar some future loss of real significance caused by the same person.

(d) *Avoiding future risks.* To avoid this risk of future uninsured loss, the borrower shall obtain written assurance of continued coverage for that individual by the same or another bonding company.

(e) *Disclosure of dishonest acts.* Assurance of continued coverage, to be effective, requires the borrower to make full disclosure to the bonding company